Currents

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CanadaWest FOUNDATION

Western Canada's Monthly Economic Bulletin

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Monthly Highlights

Employment results for July showed an uneven picture in the West. BC created 16,300 jobs in July compared to June (an increase of 0.7%, the best in ten months), while Alberta added 8,800 jobs (+0.4%). Those two increases were the only significant ones across Canada. In Manitoba, job levels remained unchanged in July. Saskatchewan employment declined by 2,100 (-0.4%), cancelling the June gain in this province.

Unemployment rates declined across the West in July except in Manitoba, where the jobless rate rose from 5.3% to 5.6%. Alberta's unemployment rate dropped to 6.3%, the lowest point for this province since April 2009.

In June, consumer prices rose in all provinces but one compared to twelve months earlier. Manitoba was the exception, with a 0.2% decrease which was highlighted by lower prices for gasoline natural gas and home and mortgage insurance. Inflation in the other western provinces ranged from 0.3% to 0.6%, below the national average of 1.0%.

In May, BC posted the largest retail sales increase of all provinces compared to the previous month (+1.5%), in part due to higher sales at new car dealers. Retail sales also increased in Manitoba, albeit more modestly (+0.6%), while they remained unchanged in Alberta and declined by 0.3% in Saskatchewan. Still in May, wholesale sales declined in all the Prairie provinces, mainly due to a decrease in the agricultural supplies industry. The drops in Saskatchewan (-12.3%) and Manitoba (-9.1%) were the most pronounced in the country.

Monthly Economic Statistics	BC	AB	SK	MB	Canada	Reference Month
Labour Markets						
Employment (000s)	2,315	2,009	526	621	17,181	July
% change	0.7	0.4	-0.4	0.0	-0.1	
Unemployment rate (%)	7.5	6.3	5.1	5.6	8.0	July
change in percentage points	-0.3	-0.4	-0.4	0.3	0.1	
Participation rate (%)	66.1	73.1	70.0	70.1	67.3	July
Average weekly earnings ($)	821.66	985.17	843.11	787.33	848.45	May
% change	0.7	-0.8	0.1	0.6	0.4	
Inflation						
Consumer Price Index (% change)*	0.5	0.6	0.3	-0.2	1.0	June
Economic Activity						
Housing starts (000s)**	27.1	27.2	6.3	8.2	192.8	June
% change	5.0	-8.4	43.2	64.0	-3.1	
Retail trade ($M)	4,885	4,862	1,223	1,295	36,015	May
% change	1.5	0.0	-0.3	0.6	-0.2	
Wholesale trade ($M)	4,049	4,901	1,349	1,028	44,059	May
% change	4.6	-0.7	-12.3	-9.1	-0.1	
Manufacturing sales ($M)	2,946	4,999	999	1,147	44,839	May
% change	2.1	0.3	-1.7	-0.5	0.4	

** Compared to same month in the previous year. ** Annual rate (monthly figures are multiplied by 12 to reflect annual levels). Unless otherwise noted, data are seasonally adjusted and percent change is from previous period. Source: Statistics Canada, Canada Mortgage and Housing Corp.*

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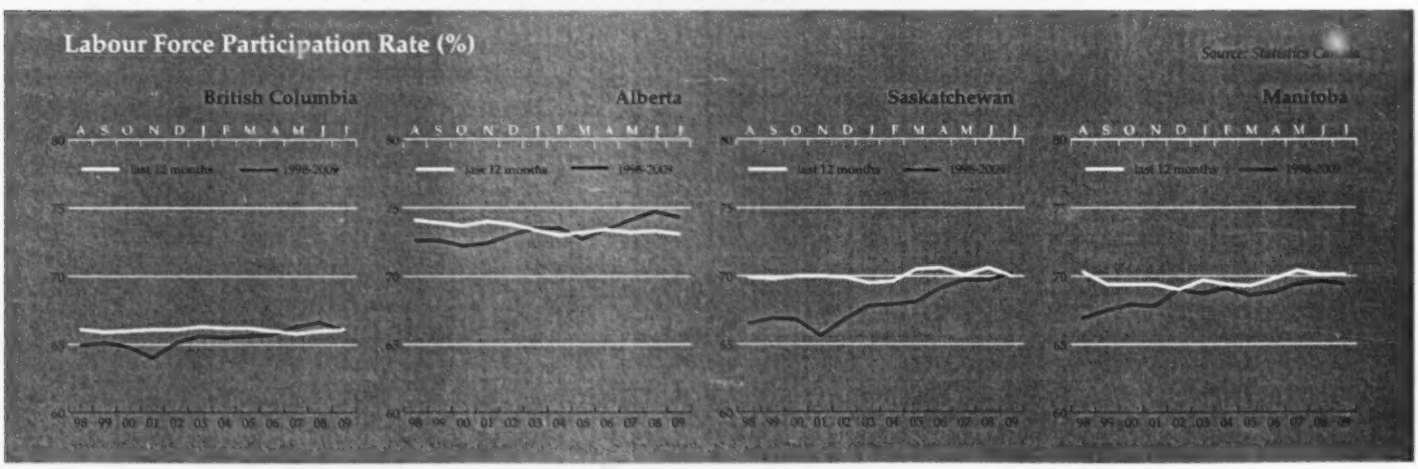


Monthly Feature

H_2O: Turning a Water Headache to Opportunity

The surface area of earth is 510 million square kilometres. Of this, 70.8% is water and 29.2% is land. This prevalence of water was dramatically captured in the famous "blue marble" photo taken by Apollo 17 astronauts on the last lunar mission in 1972. While the photo gives the impression that we have plenty of water—we are literally surrounded by the stuff—it is all quite illusory.

The earth's water is a story of managing maddening scarcity in the face of apparently abundant supply. The earth is estimated to hold almost 1.4 billion cubic kilometers of water (see the chart below). But 97.5% of this vast expanse is saltwater. Only 2.5% is fresh. What is more, of the 2.5% of water that is fresh, 70% of it is trapped in glaciers, ice caps, or permafrost. Less than 1.0% of water on earth is accessible—and the bulk of it is groundwater and of varying quality that may not be readily attainable, depending on local conditions.

As such, we have always had to grapple with the physical and geographical scarcity of freshwater, and today there is growing concern about the state and future of the global water supply. The consensus is that pressure on the world's water is escalating, and with it, the very real prospect that water will be one of the biggest political and public policy concerns of the 21st century.

For the average western Canadian, a water crisis in north Africa, the Middle East, or Australia is so far removed as to have little relevance. But this is not so. The global water challenge is certainly finding clear expressions much closer to home. In August 2006, for example, the Alberta government stopped issuing new surface water licenses across most of the South Saskatchewan River Basin. When the rivers are closed, something big has happened—a limit has been reached.

A question that naturally arises is how have Albertans been managing with a restricted water supply? Part of the answer may come in the form of an emerging water license trading system that is very much in its infancy. Because future population and economic growth in the province will continue to create increased demand for water, some are thinking how the current license trading system could become more established, enduring, and permanent, with more ongoing and widespread participation.

One interesting idea is the creation of a specialized and regulated "exchange"—much like the TSE or NASDAQ—where those who hold water licenses can sell a portion of their license to those who need water. For example, a license holder might invest in new water saving technology to conserve water, so that part of that license can then be sold. The proceeds of the sale could then be used to finance the investment in water saving technology.

Given the nature of water, establishing a regulated exchange may not be entirely straightforward. But the idea is intriguing. *To read more, visit the Canada West Foundation website (www.cwf.ca) and download "From H20: Turning Alberta's Water Headache to Opportunity." In addition, a background report on water pricing in Canada and around the world will be available in November 2010 for download.*

Did you know?

- Canada is relatively "water-rich." Not only is the country home to 20 percent of the world's freshwater supply, and the largest wetland and lake area in the world, it also has more water on a per capita basis than any other country.
- The most important rivers for the western prairie provinces have their headwaters in Alberta's Rocky Mountains. The Master Agreement on Apportionment, signed in 1969, requires Alberta to pass 50% of all the water in its rivers to Saskatchewan, which in turn, must pass water on to Manitoba.
- British Columbia's Fraser River has an average annual flow of 110 billion cubic metres per year, almost as much water as all rivers in Alberta (130 billion cubic metres).
- The World Health Organization estimates that almost 900 million people lack ready access to a safe supply of freshwater, and some 1.4 billion people live in river basins where current patterns of water use are not sustainable.

The Earth's Water Resources

Source: Gleick, P. H. (Peter). 1996. Water Resources in the Encyclopedia of Climate and Weather

Saltwater			Freshwater		
Water from	Amount (km^3)	Share of total	Water from	Amount (km^3)	Share of total
Oceans and Seas	1,338,000,000	96.5%	Ice, Snow, Permafrost	24,364,000	1.8%
Groundwater	12,870,000	0.9%	Groundwater	10,530,000	0.8%
Lakes	85,400	0.01%	Lakes	91,000	0.007%
			Soil Moisture	16,500	0.001%
			Atmosphere	12,900	0.001%
			Swamps	11,470	0.001%
			Rivers	2,120	0.0002%
			Biota (live organisms)	1120	0.0001%
Total Saltwater	1,350,955,400	97.5%	Total Freshwater	35,029,110	2.5%

BEHIND THE NUMBERS

Each western province has its own unique endowment of natural resources that has dramatically impacted the way in which industrial development has unfolded across the West over the twentieth century. This fact is perhaps most clearly illustrated by the widely different sources of generated electricity in each of the provinces.

As the chart shows, BC and Manitoba get virtually all of their power from a renewable source, most of it being hydraulic systems such as power dams on their powerful rivers. Non-renewable-based electricity sources essentially act as back-ups. Data for Alberta and Saskatchewan show quite the opposite picture: most of the electricity in those two provinces comes from local non-renewable sources, mainly coal. This means that depending on which province they live in, western consumers and businesses who strive to make environmentally-conscious choices (for example by selecting hybrid electric powered cars) may be using up more non-renewable resources than meets the eye. Unlike many other goods and services the origin of electricity is not always clearly apparent to the end user.

Sources of Electricity Generation in Western Canada, 2007

	British Columbia	Alberta	Saskatchewan	Manitoba	West
	Renewable Sources				
Hydraulic	89.1%	2.9%	14.5%	95.7%	50%
Wind	0.2%	1.4%	0.7%	0.5%	0.7%
Biomass	5.5%	4.1%	1.3%	0.4%	3.7%
Total Renewable Sources	94.9%	8.3%	16.6%	96.7%	55.5%
	Non-Renewable Sources				
Coal	0.0%	60.3%	64.5%	2.7%	29.2%
Natural Gas	5.0%	29.2%	18.9%	0.6%	14.5%
Oil	0.1%	2.2%	0.6%	0.0%	0.8%
Total Non-Renewable Sources	5.1%	91.7%	83.4%	3.3%	44.5%

Source: Canada's Energy Future, National Energy Board, Ottawa, 2007

Industry Spotlight: British Columbia

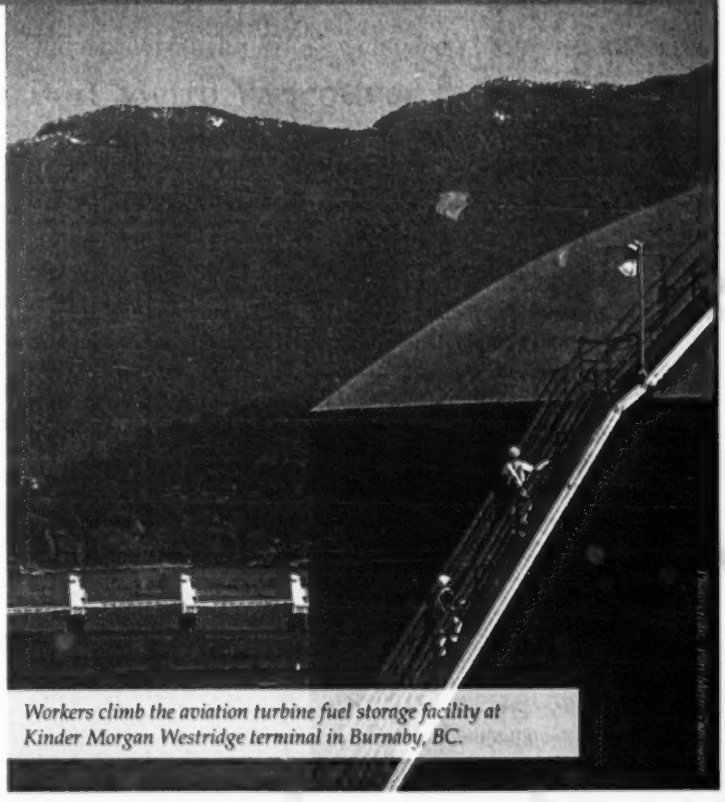
Port Metro Vancouver

Port Metro Vancouver (PMV) is the hub of merchandise export and import activity between Canada and the Asia-Pacific zone. PMV was created by amalgamating the Vancouver Port Authority, the Fraser River Port Authority and the North Fraser Port Authority in 2008.

PMV is ranked about 30th among the world's ports in terms of shipped cargo. In 2009, PMV handled 102 million tonnes of merchandise. Two-thirds of this consisted of bulk merchandise such as coal, grains and crude oil. One-fifth consisted of intermodal containers. Those standard-size metal boxes, which are typically 8' wide and 20' long, are much easier to transfer between ships, trains and trucks than other merchandise. This year, a third berth was added to PMV's Deltaport container terminal, the largest in Canada, increasing its capacity by 50%.

PMV is also heavily involved in tourism-related transportation. Nearly 900,000 passengers went through its cruise ship terminal at Canada Place in 2009.

PMV is set to benefit from the strong potential for growth in trade between western Canada and the Asia-Pacific zone.



Workers climb the aviation turbine fuel storage facility at Kinder Morgan Westridge terminal in Burnaby, BC.

CanadaWest FOUNDATION

opinion

by Jacques Marcil, Senior Economist

Green Jobs: Forget the Green, Focus on Jobs

Depending on who you talk to, the green jobs that we so often hear about are either a panacea or a pipe dream. The truth often lies somewhere in the middle.

But first, what exactly is a green job? We could loosely define this as any job that is attached to economic activities having something to do with reducing mankind's ecological footprint. This will do for now, although it is a bit vague. If you drive a huge truck filled with wind power turbine parts, is your job still green?

Second, why is there so much demand for green jobs? Well, as new technologies appear, governments try to make sure that as many business opportunities and jobs as possible get generated in their jurisdiction. This view of the global economy has a zero-sum tone that not all economists like. However, it is clear that the more green jobs there are inside an economy, the more environmentally sustainable it becomes, and that is the ultimate goal of the whole exercise.

A trap for policy makers is to not adequately define what a green job is, but still rush to create them. This matters a lot to us in the West because we are often told that we should transform our traditional, carbon-intensive jobs into green ones. It is as if there exists somewhere out there a magic machine somehow akin to a car-wash: insert "dirty" jobs at one end, and they come out clean (and green) at the other end.

In public policy, the closest available approximation of a magic green job machine is a government program. Those programs come in all sizes and shapes, but they can often share the same design defect: they try to do too much and often have undesired side effects, especially in the case of wide-open trading economies (a description that befits Canada well, especially the West).

Here are two examples. A few years ago, Spain introduced a generous subsidy program to switch its power plants to renewable energy, but for each green job created, 2.2 ordinary jobs were lost. In Australia in 2009, the government created a booming home-insulation industry from scratch through generous tax payer funded rebates. But due to rushed implementation the program was such a failure that: four workers died, dozens of house fires were caused, and the industry collapsed as soon as the rebate was withdrawn, destroying jobs and businesses.

In Canada so far, green-job-creation programs have mainly been confined to mere "labeling:" a number of economic stimulus measures received a green label, which probably increased the likelihood that they would see the light of day. While less spectacularly inefficient than the examples mentioned above, this approach is not the proper way to create green jobs. Not only are we missing an overall environmental and sustainable economic plan here, but we could also end up with "make-work" jobs that have no long-term prospects.

Additionally, some programs can heavily distort the economy (e.g., grain subsidies for ethanol production) or have cost overruns. There are also programs that create inefficiencies by going against basic economic principles, for instance by trying to develop a home-grown industry for a technology which is available at a cheaper price from abroad.

It is time to refocus this discussion on the ultimate goal: carbon emission reduction and sustainable economic development. If we develop proper environment policy, including emission targets, consumers and producers will adjust their behaviours and green jobs will eventually come on their own. They may not all get created in our communities, but if we stick to the basic rules for creating jobs of any "colour" (an educated workforce, investment-friendly conditions, reduced trade barriers), we will get enough of them. After all, many of the green jobs of tomorrow do not even exist right now, so how could a targeted program attract them?

If we forget the importance of a proper job-creation climate, we could end up spending huge amounts of money to create "light green" jobs, and still miss the true environmental target. ■

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